REPORT of the AUDITOR GENERAL to the NOVA SCOTIA HOUSE OF ASSEMBLY

...2007

June
Highlights

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REPORT of the AUDITOR GENERAL to the NOVA SCOTIA HOUSE OF ASSEMBLY

HIGHLIGHTS

PREFACE

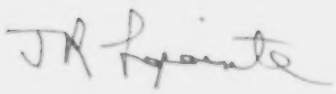
This Report includes the results of audit work completed between December 2006 and June 2007.

To give readers an appreciation of the more significant findings contained in my June 2007 Report, I publish this highlights volume. It provides a brief summary of the results of audit work included in the Report.

However, I suggest that those who may wish for a fuller understanding of any of these matters, refer to the full Report. The highlights volume notes the related page numbers of the full Report for each of the subjects.

To assist readers we have also included all 58 of the Report's recommendations in this highlights volume.

I and my staff seek to communicate our messages as clearly and concisely as possible. Comments from readers on the value of this highlights volume or on the complete Report will be welcomed.



JACQUES R. LAPOINTE, CA•CIA
Auditor General

Halifax, Nova Scotia
May 11, 2007

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INTRODUCTION

Message from the Auditor General
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1.1 I am pleased to present my June 2007 Report to the House of Assembly on work completed by my Office in the first half of 2007.

1.2 In addition to this Report, I have also submitted the following this year:

- My 2007 Strategic Plan was distributed to Members of the House of Assembly and the Public Accounts Committee on April 13, 2007.

- My Report on the Estimates of Revenue for the fiscal year ending March 31, 2008, dated March 22, 2007, was included with the Budget Address tabled by the Minister of Finance on March 23, 2007.

1.3 As the Province's Auditor General, my goal is to work towards better government for the people of Nova Scotia. As an independent non-partisan officer of the House, I and my Office help to hold the government to account for its management of public funds and contribute to a well-performing public sector. I consider the needs of the public and the House, as well as practical realities facing management, in providing sound practical recommendations to improve the management of public sector programs.

1.4 My priorities, during my term of office, are: to focus audit efforts on areas of high risk that impact on the lives of Nova Scotians; to contribute to a more efficient, effective, and better performing public service for Nova Scotia; and to foster better financial and

performance reporting to the Legislature and the people, all while promoting excellence and a professional and supportive workplace at the Office of the Auditor General. This Report reflects this service approach.

1.5 I wish to acknowledge the valuable efforts of my staff who deserve the credit for the work reported here. As well, I wish to acknowledge the cooperation and courtesy we received from staff in departments and agencies during the course of our work.

1.6 In conducting our audits, we sometimes identify issues that may have broader applicability beyond the particular entities in which the issues emerged.

1.7 First, we found deficiencies this year in basic internal controls in some program areas. These weaknesses increase the risk of financial loss through error or fraudulent actions. In some cases, the internal controls had been designed properly but were not functioning as intended. In other cases, adequate controls did not exist. Some of the weaknesses related to manual controls such as authorizations and monitoring. Others, such as poor access controls, related to computer systems. The importance of adequate internal controls, and the concept of management responsibility for internal controls, have gained international attention in recent years following several widely-publicized corporate failures, and the passing of the Sarbanes-Oxley Act in the United States. We urge the Nova Scotia government to focus on the design and proper functioning of internal controls.

1.8 Secondly, our audits of health-related programs identified the need for increased quality assurance on non-financial databases such as those which control access to programs or

report wait time information. These databases produce information which is used as support for important decisions relating to access to health services; accuracy in this data is important.

1.9 Finally, we note that there is a need for clear accountability frameworks which define performance expectations for entities funded by the Province. The accountability frameworks may take different forms (such as service agreements, contracts, legislation or policies), but they should all include standard provisions such as:

- objectives;
- performance expectations and targets;
- reporting requirements for regular submission of both financial and non-financial performance information;
- monitoring provisions including audit access by the relevant Department and/or the Auditor General, depending on the circumstances; and
- the right of government to take corrective action if results do not meet expectations.

PERFORMANCE AUDITS

• • Health

Management of Diagnostic Imaging Equipment - Capital Health and Cape Breton District Health Authority

Pages 10 - 41

2.1 We conducted an audit of the management of MRIs and CT scanners at the Department of Health, Capital Health and the Cape Breton District Health Authority. This audit was conducted jointly with legislative auditors in several Canadian jurisdictions. The Auditor General of Ontario released his report from this

audit to the Legislative Assembly of Ontario in December 2006 and other legislative auditors will issue reports in the future.

2.2 This was our first audit of the acquisition, management and use of diagnostic imaging equipment. We found that the DHAs we audited generally had processes in place to provide for patient safety and prioritize patient access to required services. However, we made recommendations to improve management and efficiency of some aspects of these processes.

2.3 The Department of Health (DOH) does not have a formal capital planning process in place. A capital plan is necessary to ensure that high priority equipment needs are met on a Province-wide basis and that funds are spent with due regard for economy and efficiency.

2.4 Capital Health (CDHA) and the Cape Breton District Health Authority (CBDHA) have adequate capital planning processes in place but have significant unmet equipment needs due to lack of funding. CDHA has estimated its unmet needs to be approximately $82 million while CBDHA has estimated about $57 million. Use of equipment that is beyond its useful life makes scheduling processes more difficult for District Health Authority staff, and has an impact on patient access to necessary services.

2.5 We examined the processes for procurement of MRIs by the Department of Health and CBDHA. In both cases, we found procurement policies were followed but identified weaknesses in the way the proposals were evaluated. We have recommended improvements to ensure the best value for money is achieved in future procurements.

2.6 One of the factors that impacts timely access to diagnostic services is whether the equipment

is used for medically necessary, appropriate examinations. We believe that the Department of Health and DHAs should incorporate use of clinical practice guidelines in their policies to decrease the risk that the ordered examination is not appropriate. This is especially important as general practitioners are given the right to order more examinations. However, we recognize that implementation of clinical practice guidelines poses significant challenges for physicians and requires changes in expectations of some patients.

2.7 Various statistical reports are produced and used to monitor aspects of diagnostic imaging services including wait times. However, many of the reports are prepared manually and require extensive effort to produce. In some cases, the information technology systems in use have the capacity to produce this performance information more efficiently but it is not utilized. We recommend that CDHA and CBDHA examine the computerized diagnostic imaging systems in use with a view towards automating statistical reports to the extent possible, and that requirements for statistical reporting be included in future information system procurements.

2.8 The Department of Health should take a more active role in assuring adequate quality assurance processes are in place for diagnostic imaging equipment throughout the Province. The two DHAs examined had significantly different quality assurance processes. Diagnostic imaging equipment that is not appropriately functioning can provide risks to patients, including excessive exposure to radiation.

2.9 At CDHA, we examined policies governing medical staff involvement in the private MRI clinic. We noted that CDHA does not have its own conflict of interest guidelines for medical

staff although its by-laws refer to conflict of interest guidelines established by the College of Physicians and Surgeons. We believe that such policies are necessary to ensure the interests of the Health Authority and the patient are protected when medical staff enter into other business arrangements such as involvement with privately-owned health facilities.

2.10 Our recommendations from this chapter are as follows:

Recommendation 2.1

We recommend that DOH, in conjunction with the District Health Authorities, develop a long-term Provincial medical equipment capital plan including criteria for assessing competing DHA needs on a Province-wide basis.

Recommendation 2.2

We recommend the procurement processes at DOH and the DHAs be improved to include:

- identification of all needs prior to issuing the Request for Proposals;
- inclusion of the present value of lifecycle costs in the quantitative analysis; and
- documentation of the entire procurement process including a detailed comparison of bids received according to criteria in the RFP document.

Recommendation 2.3

We recommend that CDHA and CBDHA actively monitor manufacturers' equipment up-time guarantees.

Recommendation 2.4

We recommend that CBDHA establish a process to track and monitor required maintenance and repairs to its MRI and CT scanners.

Recommendation 2.5

We recommend that CDHA and CBDHA implement formal capital asset ledgers to control all medical equipment.

Recommendation 2.6

We recommend that the Department of Health, in conjunction with radiologists, establish and implement clinical practice guidelines for use of MRIs and CT scans in the Province.

Recommendation 2.7

We recommend that CDHA implement centralized booking for all CDHA's CT scanners.

Recommendation 2.8

We recommend that CDHA and CBDHA establish utilization standards for each MRI and CT scanner and monitor performance in achieving the standard.

Recommendation 2.9

We recommend that CBDHA set standard times for reporting of diagnostic imaging examination results and monitor progress in achieving the standard. CBDHA and CDHA should take action to ensure standard turnaround times are achieved.

Recommendation 2.10

We recommend that CDHA and CBDHA examine the computerized diagnostic imaging systems in use to determine whether they can produce additional statistical information, such as wait times and utilization indicators, which are currently manually produced. We also recommend that requirements for statistical reports be included in future information system procurements.

Recommendation 2.11

We recommend that CDHA and CBDHA document policies and procedures relating to the quality assurance processes, including patient safety, for diagnostic imaging equipment and related testing of MRIs and CT scanners.

Recommendation 2.12

We recommend that CDHA ensure patient safety questionnaires are completed for all MRI patients and retained in the patients' files.

Recommendation 2.13

We recommend that the Department of Health and the DHAs establish and implement a quality assurance program for all MRIs and CT scanners in the Province.

Recommendation 2.14

We recommend that CDHA and DOH establish conflict of interest guidelines for medical staff including policies on relationships with private facilities.

Emergency Health Services (EHS)

Pages 42 - 66

3.1 We performed an audit of certain aspects of Emergency Health Services' ground ambulance program. EHS contracts the day-to-day operation of the program to EMC Emergency Medical Care Inc. - a wholly-owned subsidiary of Medavie Blue Cross.

3.2 The ground ambulance contract gives the Department of Health (DOH) the right to audit EMC's financial records. DOH has not exercised these rights since 2000. DOH receives performance information from EMC. However, we recommend that DOH exercise its audit rights under the contract to enhance its monitoring of EMC's performance and expenditure of public funds.

3.3 The contract between the Province and EMC does not provide audit rights for the Auditor General. We believe that any significant service delivery contracts should include audit access for the Auditor General to ensure the House of Assembly receives assurance that public funds are appropriately controlled and expended with due regard for economy and efficiency.

3.4 Most of the financial risk related to the provision of ambulance services remains with the government although an outside company has been contracted to provide the service. We recommend that the issue of risk transfer be reexamined when future contracts are awarded to ensure that contracts are cost-effective.

3.5 EHS should improve its monitoring practices related to user fees collected by EMC. In addition, EHS does not account for user fee revenues and receivables in accordance with generally accepted accounting principles.

3.6 Optimal deployment of ambulances to communities in the Province is essential for achievement of value for money. In 2001, a report by an emergency services consulting firm identified certain communities where unit hours could possibly be reduced without impacting contractual response times. We recommend that government follow up on the recommendations of this report prior to the next ground ambulance contract to ensure ambulance deployment optimizes service levels and costs.

3.7 We examined issues with respect to significant delays in ambulance turnaround times at certain emergency departments and concluded there is risk of a negative impact on response times although EMC has processes in place to mitigate the risk. We note a working group comprised of representatives of EMC, EHS and Capital Health has been formed to review the issue of ambulance delays in emergency departments and encourage the group to proceed with its work to resolve this issue.

3.8 We reviewed EMC's policies governing certain administrative expenses to determine whether they reflect adequate control and due regard for economy and efficiency. We concluded that policies exist and that they are generally complied with but we recommend improvements in some aspects.

3.9 We found that EMC had paid bonuses to six senior managers which, although included in the company's financial statements, were not appropriately classified as salaries. EHS had not identified the amount of the bonuses or the fact that the bonuses had been partially funded by DOH as operating expenses of the company. We acknowledge that EMC is not a government organization and that the agreement does not govern the level or type of compensation

payments which EMC can make. The payments do not violate the company's agreement with the Province.

3.10 Our recommendations from this chapter are as follows:

Recommendation 3.1

We recommend requirements for accountability information, including requirements for submission of detailed financial information at specified intervals, be included in contracts to ensure information required for appropriate monitoring is received on a regular basis.

Recommendation 3.2

We recommend that DOH exercise its right to audit financial records under the ground ambulance contract to monitor EMC's performance and gain assurance that EMC's expenditures were incurred with due regard for economy and efficiency.

Recommendation 3.3

We recommend that any new contracts negotiated for provision of ground ambulance services or any other significant contracts between government and service providers include provision for audits by the Office of the Auditor General.

Recommendation 3.4

We recommend that EHS review risk sharing when negotiating contracts to ensure there is an appropriate balance between risks transferred to the contractor, risks retained by the Province and cost of the contract.

Recommendation 3.5

We recommend that EHS verify the completeness and accuracy of user fee revenues submitted by EMC.

Recommendation 3.6

We recommend that EHS establish write-off policies for ambulance user fee accounts receivable and review receivables annually to identify and write off uncollectible amounts.

Recommendation 3.7

We recommend that EHS record ambulance user fee revenues and receivables to provide better control over uncollected amounts and ensure compliance with generally accepted accounting principles.

Recommendation 3.8

We recommend government follow up the Fitch Report and review deployment of all ground ambulance resources prior to the next ground ambulance contract to ensure optimal deployment of ambulances and due regard for economy and efficiency.

Recommendation 3.9

We encourage EHS, EMC and Capital Health to continue to work together to resolve ambulance turnaround delays on a timely basis.

Recommendation 3.10

We recommend that EMC clarify and strengthen meal and travel policies by:

- requiring submission of original supporting invoices rather than signed credit card vouchers;
- providing more detail regarding acceptable dollar guidelines for meals and specifying circumstances under which alcohol is claimable;
- requiring the people for whom meals are claimed to be identified;
- requiring documentation of the purpose of meetings or events for which meals are claimed; and
- requiring review and approval of the CEO's travel expenses by the Chair of the Board.

Long-term Care - Nursing Homes and Homes for the Aged

Pages 67 - 86

4.1 The Department of Health's Long-term Care Program has undergone a number of major changes in the past few years. The Homes for Special Care Act and Regulations are outdated and should be amended to reflect current standards and program changes such as the new Cost of Care Initiative and Single Entry Access.

4.2 We believe that DOH should continue its efforts and implement a funding formula for nursing homes to improve the efficiency and consistency of the funding process. The recent announcement of new bed construction increases the need for a fair, transparent funding formula as new service providers will likely be entering the system.

4.3 The accountability framework for nursing homes should be improved by establishing service agreements to more clearly set out performance expectations and reporting requirements for the nursing homes.

4.4 We examined documentation relating to the annual inspection and licensing process for homes. We noted several deficiencies and concluded that significant improvements are required to ensure that the process is effective in ensuring clients' care needs and legislative requirements are met.

4.5 Our testing of the accuracy of information in the SEAscape system found instances where the information was inaccurate. Since this information has the potential to affect decisions on placement, wait list position and level of care, we believe that DOH should develop and implement an effective quality assurance process for this information.

4.6 We tested placement decisions for a small sample of clients and identified four situations where clients appear to have been placed in nursing homes in a manner that was not consistent with DOH placement policies. We acknowledge that circumstances may exist in specific situations which would warrant exceptions to the placement policy but, in these cases, there was no supporting documentation to explain the rationale for placement of these clients before others on the wait list. We recommend that all exceptions to placement policies be specifically approved by DOH management.

4.7 Our recommendations to government from this chapter are as follows:

Recommendation 4.1

We recommend that DOH establish service agreements with all nursing homes which include performance expectations and reporting requirements.

Recommendation 4.2

We recommend DOH ensure reporting requirements for all nursing homes are practical, and establish a process to ensure requirements are met and appropriate action taken if inconsistencies are identified. DOH should also require nursing homes to submit auditors' management letters for review.

Recommendation 4.3

We recommend DOH continue its efforts and implement a funding formula for the long-term care program.

Recommendation 4.4

We recommend that DOH perform quarterly reconciliations and collect funding overpayments in a timely manner.

Recommendation 4.5

We recommend that DOH work towards having the House of Assembly update the Homes for Special Care Act and Regulations to ensure the legislative framework reflects current long-term care operations and standards.

Recommendation 4.6

We recommend that DOH review and improve the licensing and inspection process to address deficiencies noted in paragraph 4.40 (see page 76 of Report of the Auditor General).

Recommendation 4.7

We recommend DOH develop and implement a quality assurance process to help ensure compliance with policies and accuracy of SEAscape information.

Recommendation 4.8

We recommend DOH establish a process to review placement decisions made by staff. Management should specifically approve all cases where exceptions are made to the policy and clearly document the rationale for the action taken.

• • Justice

Maintenance Enforcement Program

Pages 87 - 107

5.1 The Maintenance Enforcement Program administers and enforces orders of the court requiring individuals to make spousal or child support payments. Some payments received are deposited to a trust account and then disbursed to recipients. Others flow through the Program to a recipient without being deposited to a trust account.

5.2 Performance information is inadequate to assess the efficiency and effectiveness of the Maintenance Enforcement Program. There is an absence of sufficient information to enable an assessment of how well the Province has administered the Maintenance Enforcement Act. The only performance information prepared and reported by management is a collection rate and we found this statistic to be unreliable and inadequate. We believe the Department should prepare annual audited financial statements for the trust account.

5.3 The Province collects money from payers and then disburses these funds to recipients. These payments are deposited to a trust account. By acting as administrator of the trust account, the Province has established a fiduciary responsibility to ensure money collected is safeguarded and paid to the appropriate recipients. We found trust account assets were not adequately safeguarded because of deficiencies in internal control and the Province does not prepare annual audited financial statements or other information to demonstrate how it has discharged its fiduciary responsibility for the trust account.

5.4 There are inadequate collection processes to ensure the full and timely collection and payment of maintenance orders. We identified significant deficiencies such as a failure to adequately comply with policies and procedures, deficient management reports, and unreliable system data. Program systems contained 11,845 arrears cases in which case records indicated employment information was not confirmed. Management informed us that employment information is not always up-to-date and they do not always record employment confirmations in their system. As a result of this and inadequate documentation of key decisions by enforcement officers, we were unable to determine if garnishment of wages would have been appropriate for 24 of our 60 sample items. Management identified 6,081 arrears cases for which the Program did not have a notice of federal intercept in place which would allow payments from the federal government such as income tax refunds to be applied against arrears. We were informed one of the reasons for not placing a federal intercept order is due to the lack of information required by the federal government to process orders, such as social insurance numbers. We also found we could

not rely on the Program's systems for accurately reporting the number of cases in arrears.

5.5 There are significant internal control weaknesses over receipts and disbursements. These weaknesses appear to have been a significant contributing factor to the financial loss which occurred as a result of an alleged fraud within the Program. Prior to our audit, we were informed the alleged fraud was identified when internal audit advised management of a planned audit of the Program. Subsequent to the announcement of the audit, an employee of the Program told management she had made several unauthorized payments. Management terminated the employee and contracted an accounting firm to complete a forensic review. The firm provided management with a preliminary estimate of the loss resulting from the unauthorized payments. The loss was estimated to be approximately $268,000, of which $67,000 was related to trust fund assets and $201,000 to Program fees. Several internal control deficiencies that appear to have contributed to the unauthorized payments had not been addressed as of the completion of our audit.

5.6 The Program has complex financial and operating systems through which a large amount of money flows. The Director of Maintenance Enforcement is responsible for the administration of the Program and also has other responsibilities related to the operation of the Court Services Division. We noted that no professional accounting staff have been engaged to manage and control the financial operations of the Program. Based on the deficiencies identified during our audit, we believe there is a need to apply additional resources and expertise to the management and control of the Maintenance Enforcement Program.

5.7 Our recommendations to government from this chapter are as follows:

Recommendation 5.1

We recommend the Maintenance Enforcement Program develop and report performance measures and targets for all key aspects of its operations to enable assessment of the efficiency and effectiveness of the Program.

Recommendation 5.2

We recommend the Maintenance Enforcement Program clearly define, assign and communicate staff roles and responsibilities for performance information and reporting.

Recommendation 5.3

We recommend the Department of Justice prepare annual financial statements for the Maintenance Enforcement trust account. We further recommend that the financial statements be audited and publicly reported.

Recommendation 5.4

We recommend the Maintenance Enforcement Program develop and implement processes to improve upon compliance with its policies and procedures. We further recommend a review and update of the policies and procedures manual to ensure staff is provided with appropriate guidance to adequately administer and enforce maintenance orders.

Recommendation 5.5

We recommend the Maintenance Enforcement Program update formal case documentation standards to ensure support for key decisions is adequately documented.

Recommendation 5.6

We recommend the Maintenance Enforcement Program identify information which could help facilitate the effective administration and enforcement of maintenance orders, and initiate discussions with the courts to have such information incorporated into future maintenance orders.

Recommendation 5.7

We recommend the Maintenance Enforcement Program develop, document and implement formal review and approval procedures for all significant processes. We further recommend a formal requirement to adequately document reviews and approvals.

Recommendation 5.8

We recommend the Maintenance Enforcement Program review staff information needs and update system reporting capabilities to ensure timely and relevant information is available to assist staff in administration and enforcement activities.

Recommendation 5.9

We recommend the Maintenance Enforcement Program implement processes to correct inaccurate information in its computer system and ensure ongoing data integrity.

Recommendation 5.10

We recommend the Departments of Justice and Service Nova Scotia and Municipal Relations investigate the potential to share collection training and best practices, and examine the potential costs and benefits of further cooperation.

Recommendation 5.11

We recommend the Maintenance Enforcement Program review its current staff roles and re-assign responsibilities or implement adequate compensating controls to address the segregation of duties weaknesses.

Recommendation 5.12

We recommend the Maintenance Enforcement Program review all computer access rights and ensure staff members only have access rights necessary to fulfill position responsibilities. We further recommend regular monitoring of access rights and review and approval of changes.

Recommendation 5.13

We recommend the Maintenance Enforcement Program formally document computer software program change procedures. We further recommend independent review and approval of program changes prior to implementation and monitoring of program change logs to ensure all changes are authorized and properly completed.

Recommendation 5.14

We recommend the Maintenance Enforcement Program formally define critical case master data and

ensure the ability to change such data is limited to appropriate, authorized staff. We further recommend logs of master data changes be maintained and independently monitored to ensure all changes are authorized and appropriate.

Recommendation 5.15

We recommend the Maintenance Enforcement Program develop and implement adequate control over electronic funds transfer files and blank cheques.

Recommendation 5.16

We recommend the Maintenance Enforcement Program implement programmed dollar limits for individual cheques and electronic funds transfers. We further recommend bank processing of electronic funds transfers be delayed to allow for timely reconciliation processes to be completed.

Recommendation 5.17

We recommend the Maintenance Enforcement Program complete reconciliations for each of its bank accounts on a timely basis. Unreconciled differences should be investigated and resolved, and reconciliations should be independently reviewed and approved.

Recommendation 5.18

We recommend the Department of Justice review and assess the managerial needs of the Maintenance Enforcement Program and apply sufficient resources and expertise to effectively manage the Program and adequately fulfill its fiduciary responsibility.

• • Community Services

Regional Housing Authorities

Pages 108 - 121

6.1 The Housing Authorities manage the day-to-day operations of the public housing stock in the Province. We completed a performance audit of the Metropolitan Regional Housing Authority (MRHA) and the Cape Breton Island Housing Authority (CBIHA). The Housing Authorities receive direction and guidance from the Department of Community Services and function similarly to a division of the Department. Roles and responsibilities are understood at the Housing Authorities and they comply with the reporting requirements established by the Department. Non-financial outcomes, measures and targets should be developed and reported upon by the Authorities to enable a more complete assessment of performance.

6.2 There are weaknesses in access controls over the Housing Authorities' computer system. Access logs and access rights should be reviewed on a regular basis.

6.3 System controls over the receipt, recording and depositing of revenues are adequate at MRHA and CBIHA. However, we identified instances of the use of inaccurate information in the calculation of rental charges. Adjustments to rental charges should be fully supported and reviewed for accuracy and appropriateness.

6.4 We noted control weaknesses and instances of failure of control procedures relating to the processing of expenditures at MRHA and CBIHA. Proper support and authorization should be obtained prior to processing payments, and review procedures should be improved and better documented. In addition, we identified assignment of incompatible

responsibilities to staff at CBIHA which should be addressed.

6.5 MRHA and CBIHA have processes in place for open and fair procurement that provides value for money. The Public Housing Operations Manual should be reviewed and updated to ensure it is consistent with the Government Procurement Policy.

6.6 Our recommendations to government from this chapter are as follows:

Recommendation 6.1

We recommend that performance outcomes, measures and targets be developed for the Housing Authorities and that performance against these targets be assessed on a regular and timely basis.

Recommendation 6.2

We recommend that job descriptions, and policy and procedures manuals, including financial and system training manuals, be reviewed and updated in a timely manner.

Recommendation 6.3

We recommend that financial system access logs and access rights be reviewed on a regular basis to ensure that only authorized users are accessing the system and that access rights assigned are appropriate for assigned responsibilities and functions.

Recommendation 6.4

We recommend that the Housing Authorities and the Department of Community Services consider options

available to obtain assurance on the adequacy of controls surrounding the information systems which the Authorities use.

Recommendation 6.5

We recommend that all changes to rental charges be fully supported and reviewed for accuracy and appropriateness by the property managers. Completion of the review should be documented.

Recommendation 6.6

We recommend that the Housing Authorities review their internal control procedures to ensure proper support and authorization are obtained prior to making payments and to ensure review procedures are properly carried out and documented. In addition, Cape Breton Island Housing Authority should ensure incompatible responsibilities are not assigned to its accounts payable staff.

Recommendation 6.7

We recommend that the Public Housing Operations Manual be reviewed and updated to ensure it is consistent with the Government Procurement Policy and to provide clear guidance on using alternative procurement methods.

FINANCIAL AUDITS

• • Finance

Government Financial Reporting

Pages 124 - 132

7.1 Significant steps have been taken towards preparing and presenting the government's

revenue estimates in full accordance with generally accepted accounting principles (GAAP). Department of Finance and other staff are to be commended for the progress they have made in improving government's financial reporting. We encourage the government to take further steps towards achieving full GAAP compliance.

7.2 The Auditor General's opinion on the 2007–08 revenue estimates, required under Section 9B of the Auditor General Act, was tabled in the House of Assembly on March 23, 2007 along with the government's budget documents. The opinion was qualified because the revenue estimates were not presented on the same consolidated basis as the Province's consolidated financial statements. As well, the Department of Finance was not able to provide support for third-party revenues of certain consolidated government units because the budget was not completed on a consolidated basis. As a result, the Auditor General was unable to form an opinion on the reasonableness of these revenues or the support for their underlying assumptions.

7.3 A management letter detailing observations from our examination of the government's 2007–08 revenue estimates was provided to the Department of Finance in May 2007.

7.4 The Department of Finance is planning to release the Province's March 31, 2007 consolidated financial statements before the end of August. This is earlier than the legislated date of September 30, 2007. We commend and support the Department of Finance in its efforts to improve the timeliness of the Province's consolidated financial statements.

7.5 Our audit of the Province's March 31, 2007 consolidated financial statements will be completed between May and July 2007. We

plan to provide our opinion on the Province's March 31, 2007 consolidated financial statements by August 2, 2007. The scheduled date assumes government will meet year-end accounting and audit-readiness requirements on a timely basis and that our access to required information will be unrestricted.

7.6 We are pleased to acknowledge that progress has been made on eliminating access to information problems reported in the December 2006 Report of the Auditor General. We look forward to working further with government's senior management to fully resolve this issue. Nevertheless, we caution that any restrictions placed on our access to information during the course of our audit of the Province's March 31, 2007 consolidated financial statements could affect our ability to conduct the audit and could impact our opinion.

7.7 Additional appropriations of $120.2 million for 2006-07 expenses were approved on March 30, 2007 by Order in Council 2007-189. The amount of additional appropriations required for March 31, 2007 could change as a result of finalizing figures in the March 31, 2007 audited financial statements of the Province. No special warrants have been approved since our last Report.

7.8 Our recommendation to government from this chapter is as follows:

Recommendation 7.1

We recommend further steps be taken to move towards preparing and presenting the revenue estimates included in the budget in full accordance with generally accepted accounting principles.